

SECURITY AGREEMENT

RECORDATION NO.

7626

Filed & Recorded

AUG 28 1974 - 8 40 AM

SECURITY AGREEMENT, dated as of ~~June 5,~~ <sup>June 5, 1973</sup>

1973, by and between Raymond L. Morris and Haunani A. Morris, individuals (the "Debtors"), presently residing at 740 Miramar Avenue, San Francisco, California, and Professional Lease Management, Inc. (the "Secured Party"), a California corporation with its principal place of business at 555 California Street, Suite 3999, San Francisco, California.

Recitals

INTERSTATE  
COMMERCE COMMISSION  
RECEIVED

AUG 26 1974

ADMINISTRATIVE SERVICES

33,000 GALLON UNIT

Secured Party has on the same date as this agreement sold to Debtors one special purpose, 33,000 gallon (U.S.) tank car, ICC #122A340W, Equipment Registry Number per the official railway register CHRX 1034 (the "Collateral") in consideration of Debtors' obligation to pay to Secured Party Sixteen Thousand Dollars (\$16,000). Debtors' obligation is evidenced by the Promissory Note attached hereto as Exhibit "A" and incorporated hereby by this reference. As security for the payment of Debtors' obligation, Debtor has agreed to assign his interest in the Collateral to Secured Party under the terms and conditions hereinafter set forth.

On the same date of this agreement, Debtors have also entered into an agreement (the "Management Contract") with Secured Party to manage the Collateral. Pursuant to the Management Contract, Secured Party has entered into a lease agreement for and on behalf of Debtors with Canadian Hidrogas Resources, Ltd. under an agreement dated December 5, 1972 (the "Lease Agreement"). This security agreement

contemplates that the Lease Agreement will be formally assigned to Debtors, and Debtors will in turn reassign the Lease Agreement to Secured Party as additional security for Debtors' obligation under the Promissory Note under the terms and conditions hereinafter set forth. The parties hereto desire to formally assign and reassign the Lease Agreement as set forth above to insure Secured Party's interest in the Lease Agreement may be properly perfected under federal law.

IN CONSIDERATION of the mutual covenants and conditions hereinafter set forth, the parties hereto agree as follows:

1. To secure repayment of the Promissory Note and all interest thereon and any future payments made by the Secured Party to or for the account of Debtors under this agreement or as otherwise authorized by law, Debtors hereby grant to Secured Party security interests in the following property (collectively, the "Collateral"):

- (a) One 1966 Union Tankcar Manufactured, 33,000 gallon, 100 ton truck, Liquid Propane Gas (LPG) tankcar capacity class ICC #122A340W, number per official railway register CHRX 1034

- (b) The lease entered into by Secured Party for and on behalf of Debtors with Canadian Hidrogas Resources, Ltd. under an agreement dated December 4, 1972, for the lease of the tankcar described in paragraph 1(a) above (the "Lease Agreement") and any other lease agreement entered into by Debtors or their agent for the lease of such tankcar, together with the right

to any payments due or to become due thereunder for any reason including any payments resulting from the exercise of any option therein.

This security interest shall cover and vest in all of the aforementioned property and all the proceeds from the sale or other disposition of any and all of the foregoing. Notwithstanding anything contained herein to the contrary, Secured Party shall have no obligation to perform and shall have no liability for any of the terms and conditions of the Lease Agreement, or the breach thereof.

2. Debtor represents and warrants to Secured Party that:

(a) Debtors are the sole owners of the Collateral, and except as otherwise provided in the Lease Agreement and the Management Contract, no other person, entity, agency or government has or purports to have any right, title, lien, encumbrance, adverse claims, or interest in any Collateral.

(b) The granting of the security interest herein does not render Debtors in default under any other security agreement.

(c) Any and all information now or hereafter supplied to the Secured Party, or at the Secured Party's request or instruction is correct.

3. Debtors covenant and agree with Secured Party that:

(a) Debtors shall not sell, assign, lease or offer to sell or otherwise dispose of any Collateral or encumber the Collateral in any way without the prior written consent of the Secured Party. Debtors shall also keep the Collateral in good order and repair

and will not waste or destroy all or any part of it or use it in violation of any policy of insurance covering the Collateral or any law, ordinance, rule, regulation or order of any governmental body, agency or commission.

(b) The risk of loss of the Collateral is on Debtors and they shall pay for and obtain insurance at all times against all risks of loss or damage by fire (including so-called extended coverage), theft and such other risks as is reasonably necessary to adequately protect the Collateral. All the insurance policies now in force or hereafter acquired shall contain an appropriate endorsement naming Secured Party as additional insured or loss payee to the extent of its security interest in the Collateral. Debtors shall furnish to Secured Party on demand all insurance policies or, if Secured Party agrees, such other evidence of insurance in a form satisfactory to Secured Party.

(c) Debtors, at their own expense, shall take or cause to be taken such action or refrain from so doing as the Secured Party may at any time, or from time to time, reasonably request or as may be necessary or appropriate to preserve or defend or cause to be preserved or defended the respective rights of the Secured Party in and to all or any of the Collateral or the proceeds thereof.

(d) At the request of Secured Party, Debtors shall join with Secured Party in executing one or more financing statements or other notices or statements complying with the requirements of applicable

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federal or state law and otherwise in the form approved by Secured Party, including the execution of (1) a formal assignment of the Lease Agreement by Secured Party to Debtors, (2) the Short Form Lease attached as Exhibit "B" to the Lease Agreement and (3) a short form security agreement in the proper form for filing with the Interstate Commerce Commission granting to Secured Party the security interest in the Lease Agreement as herein provided.

(e) Debtors shall pay promptly when due all taxes, assessments, charges, encumbrances and liens now or hereafter affecting the Collateral.

(f) Debtors shall promptly notify the Secured Party of (1) any adverse changes in any information previously supplied, (2) any change in Debtors' residence or place of business and (3) such other facts or happenings which may affect the Secured Party's interest in the Collateral.

(g) Secured Party may at its option pay and discharge taxes, liens, encumbrances or security interests at any time levied or placed on the Collateral and may pay for insurance and the costs of maintaining and preserving the Collateral. The amount so allowed shall be secured by the Collateral and Debtors shall, on demand, reimburse the Secured Party for any payment made or expense so incurred. All sums expended by Secured Party under this subparagraph (g) shall bear interest at the rate of 9.5% per annum.

4. Debtors shall be in default under this agreement on the happening of any one or more of the following events or conditions:

(a) Any warranty, representation or statement made or furnished to the Secured Party by or on behalf of Debtors is false in whole or in part in any material respect.

(b) Default in the punctual payment when due of interest and principal under the Promissory Note or any part thereof, and breach of any covenant or agreement contained or referred to in this Security Agreement.

(c) Insolvency of Debtors or the commencement of any proceedings by or against Debtors under the Federal Bankruptcy Act or under any state insolvency law or for the appointment of a receiver of any part of their property, or a voluntary assignment for the benefit of creditors by or for Debtors.

(d) Secured Party in good faith deems itself insecure on account of (1) the prospect of repayment of the Promissory Note is impaired, (2) the prospect of performance of any covenant or agreement is impaired, or (3) the value or priority of the Secured Party's security interest is impaired.

5. Upon the occurrence of any default, the Secured Party may declare all obligations secured by this Agreement immediately due and payable, and shall have, in addition to those herein provided, all the rights and remedies under the California Uniform Commercial Code, or other applicable law. All the rights and remedies of the Secured Party shall, to the full extent permitted by law, be cumulative. The rights and remedies of Secured Party shall include, without any limitation of the foregoing, the following:

(a) The Secured Party shall have the right to take immediate possession of the Collateral without judicial process, and in connection therewith, Debtors shall make the Collateral available to the Secured Party at a place or places in accordance with the Secured Party's instructions.

(b) The Secured Party may sell, lease or otherwise dispose of any or all of the Collateral, with or without taking possession, in its then condition or following any commercially reasonable preparation or processing. Except as otherwise limited by the California Uniform Commercial Code, a sale or lease of the Collateral may be at wholesale or retail, by public or private proceedings, at any time after expiration of reasonable notice as hereinafter defined and at such place, in such manner and on such terms as the Secured Party may determine, and Secured Party shall have the right to purchase all or any part of the Collateral at any public or private sale. Any notice of sale, disposition or other intended actions by the Secured Party, sent to the principal place of business of Debtor at least five (5) days prior to such action, shall constitute reasonable notice to Debtors.

(c) If the Secured Party takes immediate possession, constructive or otherwise, upon default as provided by this Agreement or by law, it shall be treated, at its option, as a secured party in possession under California Commercial Code Section 9505.

(d) In exercising any of the rights or remedies granted the Secured Party, it shall be entitled in addition to those costs and expenses provided herein

or by law, all reasonable attorneys' fees and legal expenses in connection therewith.

(e) If, in exercising any of the rights or remedies granted the Secured Party under this agreement, the amount received by Secured Party is less than the amount of the obligations secured by this Agreement, Debtors shall be liable for any deficiency.

(f) No waiver by Secured Party of any default shall operate as a waiver of any other default or of the same default on a subsequent occasion.

(g) Debtor hereby waives the right to plead the statute of limitations as a defense to any and all obligations secured by this agreement to the full extent permitted by law.

6. Secured Party is hereby irrevocably appointed the attorney in fact of Debtors with full power of substitution to sign any certificate of ownership, registration card, application therefor, affidavits or documents necessary to transfer title to any of the Collateral, to receive and receipt for licenses, registration cards and certificates of ownership and to do all acts necessary or incident to the powers granted to Secured Party herein to the full extent Debtors could so act.

7. All rights and obligations under this Security Agreement shall be binding upon and inure to the benefit of the respective heirs, executors, administrative successors, assigns and legal representatives of the parties hereto.

8. All communications and notices hereunder or required by law shall be in writing and shall be mailed or delivered to Debtor and Secured Party at the addresses here-

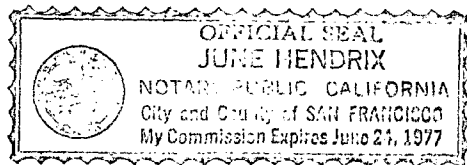


STATE OF CALIFORNIA  
COUNTY OF San Francisco } SS.

On July 13, 1973, before me, the undersigned, a Notary Public in and for said State, personally appeared  
Mark C. Hungerford known to me to be the President, ~~XXXXXXXXXXXXXXXXXXXXXXXXXXXX~~,  
~~XXXXXXXXXXXXXXXXXXXXXXXXXXXX~~ ~~Secretary~~ of the Corporation that executed the within Instrument, known to me to  
be the persons who executed the within Instrument on behalf of the Corporation therein named, and acknowledged to me that such  
Corporation executed the same, and acknowledged to me that such Corporation executed the within Instrument pursuant to its by-  
laws or a resolution of its board of directors.

WITNESS my hand  
and official seal.

(Seal)



June Hendrix  
(Notary Public's Signature)

9. The provisions of this agreement shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have executed this agreement on the day and year first above written.

PROFESSIONAL LEASE MANAGEMENT, INC.

By *Mad C. Hargrove*  
Secured Party

x *Raymond L. Morris*  
Debtor

(notarial seal)

x *Haunani A. Morris*  
Debtor

STATE OF CALIFORNIA

COUNT OF SAN FRANCISCO,

ON JUNE 26, 1973, before me, the undersigned, a Notary Public in and for said State, personally appeared Raymond L. Morris ~~XXXXXX~~ and Haunani A. Morris, known to me, to be the persons whose names are subscribed to the within instrument, and acknowledged to me that they executed the same.

*James K. Yamamoto*  
JAMES K. YAMAMOTO  
My Commission Expires January 8, 1976

